

Kirillova Anastasia Aleksandrovna, Seliun Aleksandra Aleksandrovna

Belarusian State University, Republic of Belarus

The research advisor: Skirko Natalia Ivanovna, PhD in Economics

«Prospects for the development of container transportation in the context of the coronavirus pandemic»

Area of research:

Features of the activities of customs authorities in the context of the spread of COVID-19.

The coronavirus pandemic shook existing trade patterns, but some established principles still apply, including China's dominance of global industrial production. Certainly, there has been some relocation of business from China to other Asian countries, especially Vietnam, and this trend, which began even before the pandemic, should continue. In the short term, however, there will not be a serious shift to the "Middle East. Traffic at some Chinese ports at the end of 2020 was even higher than in 2019. Of course, the global market showed more resistance than expected in cargo volumes, but such a result was hard to imagine last March.

At the same time, 2020 saw a radical transformation of the classic container shipping equation. From the beginning, it was based on the constant search for more fluidity in moving containers from one mode of transport to another and optimizing costs. This is what the industry has been able to offer shippers over the past 30 years, thereby making a significant contribution to the globalization of world trade. Today's supply chain, with data systems like SAP and Oracle on which it relies, is built on these two constants: ships that have made it possible to continuously reduce transit times and lower costs. In 2020, however, there has been a dramatic break with these constants.

There is a possibility that the existing balance of power will shift in favor of shippers in the second half of the year and even slightly before the end of the first half of the year. It rests on the following three factors:

A severe decline in demand in the first half of 2021. This drop in demand will be caused by excess inventory and a cascade of company bankruptcies. Many companies have been weakened by the 2020 crisis, which has caused anxiety in that segment of the SME category that relies heavily on exports.

Demand will also depend on the progression of the pandemic. As things stand, vaccination against Covid-19 is unlikely to have any serious effect for several months. The alternation of blocking and loosening measures is likely to continue, so any real recovery will be prevented in the short term.

Regulatory intervention in favor of Western shippers. The U.S. Federal Maritime Commission is currently investigating, and it cannot be ruled out that some shipping companies will be fined for noncompliance with the U.S. Shipping Act. If this happens, some existing practices could be outlawed².

It is clear that COVID-19 has severely damaged the PRC's economy as the world's major commodity producer.

Due to the drop in demand for consumer goods, the shipping capacity of sea container ships decreased, and an imbalance of equipment availability arose: an excess of free containers in Europe and a shortage in China. Shipping lines were forced to lay up ships in ports until the demand for maritime container transportation stabilized.

During the active phase of the pandemic in China, from January to March 2020, shipments dropped more than 350,000 TEUs per week as a result of quarantine and plant closures. Based on an average freight rate of one thousand dollars per TEU, the loss in revenue was \$350 million. During the entire period of quarantine in China, container traffic decreased by 1.9 million TEU, and the financial loss in revenue amounted to 1.9 billion dollars¹.

According to the China Customs Administration, in April 2020, China's foreign trade turnover decreased by 4.9 percent from April 2019 to just over \$355 billion¹.

At the same time, exports increased by 3.4% to \$200.1 billion, while imports decreased by 14.1% to \$155.1 billion¹.

The growth of exports is due to the fact that at this point China has already lifted quarantine restrictions and is returning to previous production volumes.

However, the rapid development of COVID-19 in Europe has become the reason for the cancellation of most flights for ocean-going ships from the Asia-Pacific region, due to the impossibility of processing shiploads in European ports. The survival of many transport companies is becoming an urgent problem.

In the first three months of 2020, the container turnover of Rotterdam, Europe's largest port, through which almost a third of all containers passing through northern European ports pass, for the first time in recent years, decreased by 4.7% to 3.55 million TEU¹.

In addition, not only the ports of Europe and Asia were affected, but also the ports of the United States, because container imports through the main ports of the United States in March 2020 fell to a minimum in the last five years. All major US ports – Los Angeles, Long Beach, Oakland, Seattle, Tacoma, New York, Miami, Houston and others handled 1.51 million in February¹.

In these conditions, new opportunities for growth and development have emerged for railway carriers and rolling stock operators. Due to the uncertainty in sea shipments and the volatility of their rates, there was a redistribution of the volume of cargo turnover towards rail transportation in accelerated container trains.

Despite the opening of borders for international road freight shipments, the speed and reliability of road deliveries are insufficient due to strict checks, queues at the borders and special security measures in China. In general, the market for rolling stock operators in container transportation has already taken place and there is no great volatility in this market, in this regard, it can be concluded that in the conditions of COVID-19, accelerated container trains are the most predictable and safest way of delivering goods.

At the moment, rail container transportation has become an important link in the supply chain, which ensures the smoothness of trade operations and the delivery of anti-epidemic and protective equipment.

The next possible development of containerized cargo transportation is that the balance of power remains favorable for shipping companies, and is based on the following hypotheses:

Indulgent European regulatory environment. Calls are beginning to sound for the establishment of a regulatory body for shipping in the European Union. So far, EU antitrust authorities have been relatively lenient with shipping alliances in the name of keeping EU shipping competitive.

Reducing port costs. Shipping companies make fewer calls per year to one port. This means that port revenues and related services (pilotage, towing and docking). This can give shipping companies a lot of bargaining power, as these services often struggle. The company will also be in a strong position to renegotiate its handling contracts favorably due to the reduction in port calls.

Digital pulse. The largest shipping companies are preparing proposals for the beginning of this year, similar to those of large logistics groups. This is a kind of "digital putsch" that needs to be watched.

There is also another possible scenario, which suggests that relations will become much more tense, forcing the various parties involved in the transport of goods to take drastic measures against the shipping companies. This will be due to the following factors:

Short-term regulation of the transatlantic market. Chinese and US regulators, which have already raised concerns about sea freight rates in September 2020, could agree to take short-term action in the transatlantic container shipping market before returning to normal operations. Such joint action could have the added advantage of improving trade relations between China and the

United States as Joe Biden and his new administration take over the reins. If this happens, the European Union's position may be difficult to maintain as they are under pressure from cargo interests.

New logistics solutions. After many were forced to accept dramatic increases in freight rates and declining quality of service in 2020, shippers may be tempted to think much more seriously about alternative modes of transport for container shipping. Railways began to take over last year between Asia and Europe, but road transport also appears to be a viable solution, at least for particularly sensitive goods, based on price and its ability to guarantee access to transport capacity.

At the moment, sea transport is experiencing significant difficulties in the transportation of containerized cargo. Despite the beginning of the normalization of the situation in the PRC, in the United States and European countries, the main consumers of goods in the world, the consequences of the impact of the pandemic continue and will continue to negatively affect consumer demand and production volumes. Capacious sea container ships cannot pick up the necessary volume of containers to ensure the return on transport, as a result of which containers accumulate in ports in a long wait for dispatch, disrupting established supply chains. On the other hand, rail transportation in the context of the pandemic has proven to be the most profitable, fast and stable delivery option.

Thus, COVID-19 has become a huge shock for the economies of all countries of the world. Transport is the main indicator of the state of the economy in any country.

¹Юдникова Е.С., Кислицин А.А. Анализ состояния международных контейнерных перевозок в условиях COVID-19 / Е.С. Юдникова, А.А. Кислицин // Russian Journal of Logistics and Transport Management. – СПб: Петербургский государственный университет путей сообщения Императора Александра I, 2020. – №1. – С. 59-68.

² Amber Coast Logistics – Connecting remote areas // Official web-page of ACL-Partnership [Electronic resource]. – 2011. – Mode of access: <https://market-insights.upply.com/en/container-shipping-prospects-in-2021>.

Komyshkailo Darya Viktorovna

Yanka Kupala State University of Grodno, The Republic of Belarus

The research advisor: Korneva Elena Stanislavovna, Master of Laws

«Protectionism and free trade in the age of globalization and regionalization»

Research Field:

Customs in the age of globalization and regionalization.